

Financial *Status Report*

April 30, 2018

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through April 30, 2018. It compares revenues and expenditures for the first ten months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

March 2018



0.50%



0.88%

Local Stock Prices



0.35%

Local Consumer Confidence

Index of Leading Economic Indicators



0.68%

Building Permits



0.27%

Help Wanted Advertising



1.56%

Unemployment Insurance



0.56%

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.5 percent in March. Leading the way to the upside was a strong positive move by initial claims for unemployment insurance. Also, up but to a lesser extent, were local stock prices, consumer confidence, help wanted advertising, and the outlook for the national economy. The only down component was residential units authorized by building permits, which were down moderately.

March's increase marked the 17th straight month that the USD Index has advanced or remained unchanged (15 of those months were increases). It was also the third consecutive month that it has hit an all-time high. The outlook for the local economy thus continues to be positive at least through the end of 2018. Job growth for the first quarter of 2018 in San Diego County was solid, with wage and salary employment increasing by 26,700 compared to the same quarter in 2017. That is slightly below the gain of 28,600 jobs for 2017 as a whole. The strongest sectors were health care (+5,500 jobs), professional, scientific, and technical services (+4,500), construction (+4,200), manufacturing (+3,800), and government (+3,300). While health care, construction, and government have been doing well recently, it is encouraging to see a pickup in professional, scientific, and technical services and manufacturing, as jobs in those sectors tend to be higher paying ones. The lagging sectors were finance and insurance (-400) and leisure and hospitality (-800).

After three consecutive monthly gains, residential units authorized by building permits turned down in March. Despite that, it was a good first quarter for building permits, as residential units authorized were more than doubled (+102 percent) compared to the same quarter in 2017. As has been the case in recent years, multi-family units authorized led the way, being up 150 percent in 2018. But single-family units authorized also had a nice gain of 47 percent. Both labor market variables were up during the month. Initial claims for unemployment insurance followed a strong February with a nearly as good March, indicating that job loss remains low. Although help wanted advertising was up for the fifth straight month, the gain in March was the weakest of the five months. The net result was that the seasonally adjusted unemployment rate for San Diego County was 3.2 percent in March, which was down from 3.5 percent in February and from 4.2 percent in March 2017. Local stock prices reversed course after a decline in February. For the first quarter, local stock prices were up 3.13 percent. This outpaced the broader market averages, with the Dow Jones Industrial Average and Standard and Poor's 500 Index actually declining in the quarter (-2.49 percent and -1.22 percent respectively) while the NASDAQ Composite Index was up 2.32 percent. Consumer confidence was up for the 21st consecutive month. The national Index of Leading Economic Indicators has now increased or been unchanged for 19 months in a row. Despite that, growth continues to be sluggish, with the "advance" estimate of GDP for the first quarter of 2018 coming in at 2.3 percent. This matches the growth rate for 2017 as a whole, but was down from the 2.9 percent growth rate of the fourth quarter.¹

General Fund Revenues



Property Taxes (\$52.4 million) – Property taxes reflect a five percent increase over Fiscal Year 2016-17. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The increase in this

year's assessed values was due to a large increase in the assessed values of industrial properties in the city; the

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in March*, April 30, 2018.

city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since, the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the first ten months of the fiscal year have increased by five percent as compared to the prior fiscal year are:

- Current taxes are up by \$2.6 million or 5.7 percent due to an increase in assessed values.
- Aircraft taxes are down by \$283,000 due to timing differences.
- Supplemental taxes are up by \$192,000 due to an increase in property resales.
- Payments for previous years' taxes are up by \$67,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$3,000 due to an increase in assessed values.
- Property taxes received from the former redevelopment area (both the Village and South Coastal Carlsbad areas) are up by \$92,000 due to an increase in assessed values in the two project areas.



Sales Taxes (\$30 million) – For the first ten months of the fiscal year, sales tax revenues are \$1.8 million (or seven percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second, third and fourth calendar quarters of 2017 (up 5.0 percent, 3.4 percent and 2.8 percent respectively) as well as the first two advances of the city's first calendar quarter of 2018 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the third calendar quarter of 2017 (the most recent data available), key gains were seen in restaurants, new auto sales, heavy industry, light industry, and department stores. During the same period, key declines were seen in miscellaneous retail, apparel stores, energy sales, and chemical products. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 69 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$19.7 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first ten months of the fiscal year reflect an increase of \$1.4 million, eight percent more than the previous year. Higher

room rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of March 2018.

Currently, there are 4,381 hotel rooms, 668 timeshares and 191 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 73 percent, three percentage points higher than last year's average at this time.



Franchise Taxes (\$5.4 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$266,000 higher than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$138,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming

services). An increase in trash collection revenue of \$100,000 is due to more commercial and residential accounts coming online from new development activity within the city. Additionally, revenue for the fiber optic antennae system is down \$13,000 due to a re-negotiation of the lease resulting in a delay of the monthly payments.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are up in total by \$317,000 or 13 percent compared to last year. Net electricity sales were up by five percent, while net gas sales were up by 10 percent. The “in-lieu” taxes increased by 54 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



Development Related Revenues (\$4.4 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a small increase for the first ten months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in April included development at Uptown Bressi (a mixed-use project), the Atlas at Carlsbad office complex and the expansion of the Econo Lodge Motel.

One source of development related revenue is building permits, which are down seven percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$359 million, while it was \$342.3 million in the previous fiscal year, a 4.9 percent increase. In April, Carlsbad issued building permits for 11 residential dwelling units, a decrease from the 41 dwelling units permitted in March. In the northwest quadrant, building permits for 11 residential dwelling units were issued: two single-family detached homes, three condominiums as part of Garfield Condominiums, a three-unit apartment building on Pine Avenue, and three second dwelling units. For the current fiscal year, 323 residential permits have been issued, as compared to 634 permits issued during the same period last year.

During the month of April, four permits for commercial and industrial space were issued. Four permits were issued for retail shell-space as part of Uptown Bressi – 5,000 square feet for Building D, 7,300 square feet for Building E, 7,160 square feet for Building F, and 8,300 square feet for Building H. Year-to-date, there has been 1,549,227 square feet of commercial/industrial permits issued, as compared to 863,519 square feet of commercial/industrial permits issued during the same period last year.



Business License Tax (\$4.1 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are up \$1 million, or 33 percent, higher than the previous fiscal year. This is primarily due to a significant number of delinquent payments being made as well as timing differences as compared to the same period last year.

There are currently 9,969 licensed businesses operating within the city, 703 less than the prior year. The majority of taxed businesses (6,726 businesses) are located in Carlsbad, with 2,482 of these businesses home-based.



Income from Investments and Property (\$3.9 million) – For the first ten months of the fiscal year, income from investments and property is up \$583,000 compared to the previous fiscal year.

Interest income is up \$455,000 for the year due to the combination of a 4.7 percent decrease in the average daily cash balance combined with a 24.8 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.225 percent last fiscal year to 1.529 percent in the current fiscal year).

Income from property sales and rentals is up by \$128,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions.



Interdepartmental Charges (\$2.6 million) – Interdepartmental charges are \$125,000, or five percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 10 percent, or \$99,000, due to recent staffing vacancies); reimbursed work from other funds (up \$24,000 due to timing differences); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by

departments within the General Fund (down 2.9 percent, or \$50,000), the result of an updated cost allocation plan.



Recreation Fees (\$2.5 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by three percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



Ambulance Fees (\$2.1 million) – The city bills any individual who is transported in one of the city's ambulances. Through April 2018, receipts from ambulance fees are up \$49,000, or two percent, compared to last fiscal year. Fees collected should have been higher due to the large increase in the number of billable transported patients; however, there were less write-offs for uncollectable ambulance fees in the prior fiscal year. The number of billable transported

patients for the first ten months of Fiscal Year 2017-18 (4,524) versus Fiscal Year 2016-17 (3,987) has increased by 13.5 percent.



Other Charges or Fees (\$1.1 million) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first ten months of the fiscal year, revenues are up by

\$159,000 compared to last fiscal year at this point in time. This increase is due to higher mutual aid response reimbursements and administrative fees received from a new fiber optic franchise agreement. This increase was partially offset by lower fire inspection fees.



Other Revenue Sources (\$986,000) – Other revenue sources have increased by \$44,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase

to date represents a decrease in prior year fee refunds and an increase in contributions for special studies. These increases were partially offset by a decrease in administrative cost reimbursements received for managing developer contributions from developers.



16%



Transfer Taxes (\$976,000) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased modestly, due to strong housing and industrial/commercial development throughout the city.



29%



Other Licenses and Permits (\$799,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November 2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a larger decrease for the year.



26%



Other Intergovernmental Revenues (\$739,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$739,000 received this year are the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), Police Officer Standard Training (POST) reimbursements, state mandated cost reimbursements, a library adult learning grant, Department of Justice vice/narcotics overtime reimbursements, a state library grant to help maximize internet benefits for patrons, a San Diego Law Enforcement Foundation grant, a federal fire training grant, a grant from SDG&E to purchase heavy weather coats for the CERT program, school resource officer reimbursements, a refund from the North County Dispatch for unspent replacement funds, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year as well as a timing difference in the reimbursements received for the city’s school resource officer program.



1%



Fines and Forfeitures (\$573,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due to a large drop in revenues derived from moving violations plus a smaller decrease in revenues received from miscellaneous city fines. These decreases were partially offset by additional code enforcement violation billings.



1%



Homeowners’ Exemptions (\$172,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners’ Exemption revenue and is shown under intergovernmental revenues.



Vehicle License Fees (\$60,000) – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

Expenditures

Total General Fund expenditures and encumbrances through the month of April 2018 are \$125.1 million, compared to \$138.3 million at the same time last year. This leaves \$55.3 million, or 30.7 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 28 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at April 30, 2018 is 26.3 percent, slightly higher than the 25.7 percent available at April 30, 2017.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of April 30, 2018, \$269,932 has been authorized out of the contingency account as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Special Events Grant for In-kind Services for the Lancer Day Homecoming Parade	(\$676)	10/31/2017	City Manager
Community Spirit Grant for In-kind Services for the Veterans Day Remembrance	(126)	12/13/2017	City Manager
Community Spirit Grant for In-kind Services for the Carlsbad Christmas Bureau	(1,409)	12/22/2017	City Manager
Winning Teams Grant for the Carlsbad High School Lancers Dance Team	(4,503)	01/17/2018	City Manager
Membership in Sister Cities International	(1,000)	01/23/2018	2018-008
2018 North Beach Lifeguard Program	(256,718)	02/13/2018	2018-016
Winning Teams Grant for the Valley Middle School Robotics Team	(1,617)	03/20/2018	City Manager
Winning Teams Grant for the Sage Creek High School FTC Robotics Team	<u>(3,883)</u>	04/01/2018	City Manager
TOTAL USES	<u>(269,932)</u>		
AVAILABLE BALANCE	<u><u>\$1,230,068</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 04/30/18	ACTUAL FY 2017 AS OF 04/30/17	ACTUAL FY 2018 AS OF 04/30/18	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$51,632,965	\$49,724,406	\$52,399,774	\$2,675,368	5%
SALES TAX	28,499,209	28,195,013	30,036,037	1,841,024	7%
TRANSIENT OCCUPANCY TAX	18,218,724	18,293,467	19,709,057	1,415,590	8%
FRANCHISE TAX	5,220,441	5,182,827	5,449,034	266,207	5%
BUSINESS LICENSE TAX	3,666,068	3,112,841	4,127,511	1,014,670	33%
TRANSFER TAX	682,142	838,216	976,433	138,217	16%
TOTAL TAXES	107,919,547	105,346,770	112,697,846	7,351,076	7%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	50,591	59,863	9,272	18%
HOMEOWNERS EXEMPTIONS	174,496	174,099	172,251	(1,848)	-1%
OTHER	564,603	588,540	738,958	150,418	26%
TOTAL INTERGOVERNMENTAL	739,099	813,230	971,072	157,842	19%
LICENSES AND PERMITS					
BUILDING PERMITS	1,669,080	1,939,369	1,801,580	(137,789)	-7%
OTHER LICENSES & PERMITS	622,252	1,128,275	799,361	(328,914)	-29%
TOTAL LICENSES & PERMITS	2,291,332	3,067,644	2,600,941	(466,703)	-15%
CHARGES FOR SERVICES					
PLANNING FEES	473,725	720,817	676,620	(44,197)	-6%
BUILDING DEPARTMENT FEES	239,403	495,130	1,063,436	568,306	115%
ENGINEERING FEES	637,735	1,101,266	907,497	(193,769)	-18%
AMBULANCE FEES	2,175,078	2,005,526	2,054,539	49,013	2%
RECREATION FEES	2,552,039	2,541,105	2,463,869	(77,236)	-3%
OTHER CHARGES OR FEES	481,165	952,563	1,111,428	158,865	17%
TOTAL CHARGES FOR SERVICES	6,559,145	7,816,407	8,277,389	460,982	6%
FINES AND FORFEITURES	614,610	581,862	573,390	(8,472)	-1%
INCOME FROM INVESTMENTS & PROPERTY	3,311,795	3,300,050	3,883,309	583,259	18%
INTERDEPARTMENTAL CHARGES	2,548,911	2,706,946	2,581,826	(125,120)	-5%
OTHER REVENUE SOURCES	925,326	942,126	986,175	44,049	5%
TRANSFERS IN	184,400	10,000	185,900	175,900	1759%
TOTAL GENERAL FUND	\$125,094,164	\$124,585,035	\$132,757,848	\$8,172,813	7%
(1)					
(1) Calculated General Fund revenues are 6.1% above estimates as of April 30, 2018.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL	AS OF 04/30/18		
	BUDGET FY 2017-18	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$556,157	\$356,776	\$199,381	35.8%
CITY MANAGER	2,925,256	2,101,122	824,134	28.2%
COMMUNITY OUTREACH AND ENGAGEMENT	2,203,020	1,645,608	557,412	25.3%
CITY CLERK AND RECORDS MANAGEMENT	1,130,029	753,266	376,763	33.3%
CITY ATTORNEY	1,849,585	1,332,316	517,269	28.0%
CITY TREASURER	265,779	200,735	65,044	24.5%
TOTAL POLICY/LEADERSHIP	8,929,826	6,389,823	2,540,003	28.4%
ADMINISTRATIVE SERVICES				
FINANCE	5,750,580	3,923,313	1,827,267	31.8%
HUMAN RESOURCES	4,234,568	2,939,122	1,295,446	30.6%
TOTAL INTERNAL SERVICES	9,985,148	6,862,435	3,122,713	31.3%
PUBLIC SAFETY				
POLICE	39,170,529	29,627,301	9,543,228	24.4%
FIRE	23,672,800	18,556,255	5,116,545	21.6%
TOTAL PUBLIC SAFETY	62,843,329	48,183,556	14,659,773	23.3%
COMMUNITY SERVICES				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,364,195	9,230,528	3,133,667	25.3%
HOUSING AND NEIGHBORHOOD SERVICES	1,571,948	1,214,490	357,458	22.7%
LIBRARY AND CULTURAL ARTS	14,286,970	14,107,384	179,586	1.3%
PARKS AND RECREATION	18,617,237	10,021,457	8,595,780	46.2%
TOTAL COMMUNITY SERVICES	46,840,350	34,573,859	12,266,491	26.2%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	2,971,337	1,337,994	1,633,343	55.0%
ENVIRONMENTAL MANAGEMENT	883,383	600,364	283,019	32.0%
GENERAL SERVICES	10,399,807	7,479,232	2,920,575	28.1%
TRANSPORTATION	7,746,486	5,597,342	2,149,144	27.7%
TOTAL PUBLIC WORKS	22,001,013	15,014,932	6,986,081	31.8%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	16,155,388	1,613,177	14,542,211	90.0%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,230,068	0	1,230,068	100.0%
TOTAL NON-DEPT & CONTINGENCY	29,840,456	14,068,177	15,772,279	52.9%
TOTAL GENERAL FUND	\$180,440,122	\$125,092,782	\$55,347,340	30.7%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Total committed includes expenditures and encumbrances.				
(c) Amount available would be 28% if funds were spent in the same proportion as the previous year.				

Water Enterprise

WATER OPERATIONS FUND					
APRIL 30, 2018					
	BUDGET FY 2017-18	YTD (*) 04/30/2017	YTD (*) 04/30/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 35,300,000	\$ 29,421,983	\$ 33,842,793	\$ 4,420,810	15.0%
INTEREST	251,000	235,626	327,441	91,815	39.0%
MISC. SERVICE CHARGES	296,000	253,416	266,315	12,899	5.1%
PROPERTY TAXES	3,605,000	3,037,299	3,229,543	192,244	6.3%
FINES, FORFEITURES & PENALTIES	260,000	215,031	255,652	40,621	18.9%
OTHER REVENUES	648,000	1,141,919	507,598	(634,321)	-55.5%
TOTAL OPERATING REVENUE	40,360,000	34,305,274	38,429,342	4,124,068	12.0%
EXPENSES:					
STAFFING	3,681,630	3,037,123	3,006,171	(30,952)	-1.0%
INTERDEPARTMENTAL SERVICES	2,243,082	1,859,193	1,824,464	(34,729)	-1.9%
PURCHASED WATER	22,800,000	16,754,640	19,738,155	2,983,515	17.8%
MWD/CWA FIXED CHARGES	6,800,000	5,606,130	5,486,328	(119,802)	-2.1%
OUTSIDE SERVICES/MAINTENANCE	1,643,326	380,871	725,598	344,727	90.5%
DEPRECIATION/REPLACEMENT	3,910,000	3,172,756	3,258,333	85,577	2.7%
MISCELLANEOUS EXPENSES	1,136,641	705,983	888,520	182,537	25.9%
CAPITAL OUTLAY	31,530	3,839	40,913	37,074	965.7%
TOTAL OPERATING EXPENSES	42,246,209	31,520,535	34,968,482	3,447,947	10.9%
OPERATING INCOME/(LOSS)	\$ (1,886,209)	\$ 2,784,739	\$ 3,460,860	\$ 676,121	24.3%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 2.5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2018, coupled with a 12 percent increase in water sales during the first ten months of the fiscal year due to less restrictive water usage constraints.
- An 11.4 percent increase in the average cash balance combined with a 24.8 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in new account charges and quick turn-on revenues.
- The increase in property taxes are the result of an increase in assessed values.
- The increase in fines, forfeitures and penalties is due primarily to an increase in late charge revenues.
- The decrease in other revenues is due to a prior year reimbursement from Poseidon related to third party consultant costs in connection with the construction of the desalinated water pipeline.

Expenses



- A 4.3 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 10 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in software services to support remote meter reading along with new State Water Resources Control Board Public Water System fees have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field and increased fleet charges account for the increase in capital outlay expenses.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
APRIL 30, 2018					
	BUDGET FY 2017-18	YTD (*) 04/30/2017	YTD (*) 04/30/2018	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,035,000	11,211,340	11,403,940	192,600	1.7%
INTEREST	75,000	91,394	131,765	40,371	44.2%
OTHER REVENUES	290,000	218,530	193,012	(25,518)	-11.7%
TOTAL OPERATING REVENUE	13,400,000	11,521,264	11,728,717	207,453	1.8%
EXPENSES:					
STAFFING	2,333,179	1,684,697	1,707,779	23,082	1.4%
INTERDEPARTMENTAL SERVICES	1,323,235	1,068,448	1,103,058	34,610	3.2%
ENCINA PLANT SERVICES	3,469,456	2,739,978	2,821,414	81,436	3.0%
OUTSIDE SERVICES/MAINTENANCE	750,723	203,711	164,945	(38,766)	-19.0%
DEPRECIATION/REPLACEMENT	3,650,000	3,018,730	3,041,667	22,937	0.8%
MISCELLANEOUS EXPENSES	713,795	407,309	475,872	68,563	16.8%
CAPITAL OUTLAY	238,261	3,277	237,666	234,389	7152.5%
TOTAL OPERATING EXPENSES	12,478,649	9,126,150	9,552,401	426,251	4.7%
OPERATING INCOME/LOSS	921,351	2,395,114	2,176,316	(218,798)	-9.1%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are up slightly due to increases in development.
- Cash balances in the fund have increased by 17.1 percent from last year, combined with an increase in the average yield on the portfolio of 24.8 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses are primarily due to the acquisition of asset management software.
- The purchase of a new vactor truck is the primary driver in the capital outlay variance.